

CHAPTER TEN (10)

GSP

GENERAL STUDIES PROGRAMME NIGERIAN GOVERNMENT & ECONOMIC



ECONOMIC AND POLITICAL GROUPING

Economic Community of West African States (ECOWAS)

Organization of African Unity (OAU)

Organization of Petroleum Exporting Countries (OPEC)

The International Bank for Reconstruction and Development (IBRD) and,

The International Monetary Fund (IMF).

The United Nations Organization (UNO, UN for Short)

The Organization of Islamic Conference (OIC)

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NIGERIAN GOVERNMENT AND ECONOMY

CHAPTER 10

ECONOMIC AND POLITICAL GROUPING

10.1 INTRODUCTION

This chapter describes some of the economics, political and religious organizations at regional and global levels that Nigerian belongs, either as a member or as an affiliate. There is a popular saying that states: **“Show me your friend, and I will tell associations to which a country belongs will reveal a great deal about the type of government and economy such a country will pursue.”** This is the rationale for including the grouping to which Nigeria belongs here. It is expected that after going through those groupings, the student may come to his or her own explanation about how Nigeria acts one way to the other. The groupings judged to be the most relevant to nature and type of the Nigerian Government and Economy are described below.

10.2 ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

10.2.1 Establishment and Membership

The initial move to establish the community was made by the signing of a bilateral government between the then Nigerian Head of State, **General Yakubu Gowon**, and the **Togolese leader, President, Gnassingbe Eyadema**, in **1972**. That

agreement was seen by **President Eyadema** as “**an embryo**” of a **West African Economic Community** (Anyanwu, et al. 1997). Other countries joined the **Lome Council of Ministries** meeting to strengthen the move. On **May 28, 1975**, a treaty establishing the **Economic Community of West African States (ECOWAS)** was signed by **fifteen countries in Lagos Nigeria**. They are: **Nigeria, Benin Republic, the Gambia, Ghana, Guinea, Guinea Bissau, Togo, Senegal, Cote D’Ivoire, Ivory Coast, Burkina Faso** (formally *Upper Volta*), **Mauritania, Sierra-Leone, Niger Republic, Liberia** and **Mali**. *Cape Verde* joined as the **16th** member later.

10.2.2 Aims and Objectives of ECOWAS

The main aim of the organization is to promote cooperation and development in all fields of economic activity with particular emphasis on industry, transport, telecommunication, commerce agriculture, energy, monetary and fiscal policies among others. This was mentioned in **Article 1 of the Treaty**. To achieve this aim, some specific objectives were also target, and they are:

- i.** Abolishing of obstacles to the free movement of persons, services and capital between member states;
- ii.** Elimination of custom duties and others charges of equivalent effect in respect of importation and exportation of goods among member states;
- iii.** Harmonizing agricultural policies, notably in the areas of marketing, research and development among member states;

- iv.** Harmonizing economic and industrial policies of member countries so as to eliminate disparities in their respective level of development.
- v.** Establishing of a fund for cooperation, compensation and development; and
- vi.** Creation of joint projects in the area of transport, communication and other infrastructure and facilities to accelerate development in the sub-region.

10.2.3 Achievements and Benefits from being a Member of ECOWAS

The achievement of ECOWAS which also indicate the benefit to member countries, are stated presently:

(i). *Establishment of the ECOWAS card:* This established a common settlement system of claims in international motor traffic.

(ii). *The Implementation of the Free Movement of Persons:* This is the first phase of the protocol, which gave all ECOWAS citizens to stay in any member state for **90 days** without visa (but with necessary residential documents).

(iii). *Integrated Telecommunication Project:* Work on the US\$35 million project within the ECOWAS member nearing completion.

(iv). *The Completion of ECOWAS Headquarters:* An edifying structure has been erected in Abuja, Nigeria, as the

headquarters. Members, particularly Nigeria, stand to derive some benefit from it.

(v). *The Establishment ECOBANK:* The **Ecobank Transnational Incorporated (ETI)** and its **Togo** subsidiary were both officially opened in **March 1988** in **Lome Togo**. The Ecobank is the first West African common share bank, specifically designed to mobilize convertible currency resources within the **16-nation ECOWAS** and from the worldwide investment community in order to establish a major venture capital fund for equity investment in the region. It has US\$50 million share capital at the inception. The Nigeria affiliate, with an authorized capital of **N25 million**, was registered in **March 1987**, and started operation in **1988**. It is owned **40%** by **ETI** and **60%** by Nigeria.

(vi). *The Inauguration of ECOWAS Travellers' Cheques:* The introduction an inauguration of a common travellers' cheque would strengthen the expected effect of **Ecobank** and facilitate convertibility of the sub-region's currencies. This will surely make travelling and economic transactions more convenient in the region.

(vii). *The Establishment of ECOMOG:* Even though this was not part of the initial objective, the establishment of a military wing of the organization has brought peace to places like **Liberia** and moderated the **conflict in Sierra Leone**. Although it would seem that this has been at a great cost to Nigeria in terms of money and men, the benefit lies in the recognition of

Nigeria as a power to be respected in the sub-region. Such recognition may soon fetch Nigeria an elective place in the United Nations Security Council.

10.2.4 General Benefits

The general benefit to Nigeria by belonging ECOWAS can be summarized as follows:

- i.** Nigeria's production potentials, when fully tapped, will give the country a wider market for its products;
- ii.** Rational division of labour is likely to result among the members state. This likely to encourage the growth of industries that are yet to take off, particularly in Nigeria, the largest country;
- iii.** Co-coordinated industrial planning may occur when all provisions are carefully followed; and
- iv.** Mobility of labour may likely the beneficial to Nigeria. However, stronger economics like Nigeria may be at the receiving end with the influx of other member countries nationals.

10.2.5 Problems Facing ECOWAS

Some problems are currently facing ECOWAS. These may be summarized as set out below:

- i.** Over dependence on collectable revenues from import duties. This makes it difficult to achieve the objective of establishing common tariffs and restriction removal on the free movement of goods between member nations.
- ii.** Pursuit of different social and economic policies: This was

more pronounced during the cold war period where some members are pro-west while some are pro-east hence there was a lack of policy convergence between them.

- iii.** Uneven development between member countries and this led to suspension between them.
- iv.** Different currencies which makes exchange cumbersome.
- v.** Political instability evidenced by the frequent incursion of the military, which led to inconsistency in policies.
- vi.** Fear of domination by stronger nations. This is informed by the fact that some nations are weaker in terms of both resources and population compared to countries like Nigeria.
- vii.** Poorly developed infrastructure and facilities in areas like communication and transport, which tends to limit trade.

10.3 ORGANIZATION OF AFRICAN UNITY (OAU)

i. Establishment and Membership

The organization of African Unity (OAU) was established by the emerging of two **African political groups** in **1963** in a meeting at **Addis Ababa**, which has remained the headquarters of the organization. The groups were: the **Monrovia Group**, consisting mostly of the *English-speaking independent West African countries*, and the **Casablanca Group**, consisting most of the other *independent African states*. The OAU is more a political union than an economic one. It is open to all independent African countries, even though other countries and the UNO can observe proceedings at its meeting.

10.3.2 Aims and Objectives of OAU

As the name implies, the primary aim of the organization is to forge unity among African states and reduce the impact of colonization and the partition of Africa that has corrected barriers at the borders, even dividing people of the same culture and ethnicity.

The main aim was spelt out in its initial objectives, which included:

- a) The liberation of all African countries still under colonial rule;
- b) The extermination of the apartheid system in South Africa; and
- c) The forging of social, cultural and political relationships among members state.

The charter specifically stated non-interference in the internal affairs of member countries.

i. Achievement

To a large extent, it would seem that the first two objectives have been achieved. However, the third objective still remains elusive up till now. Many people believe that this is because of the non-interference clause in this charter. Whatever is the cause, the fact today is that continent is bedeviled by intra-national and international conflicts and armed resistance by numerous factions.

ii. Problems Facing the OAU

Apart from the heavy debts the advanced countries have piled on African countries, reflected in many of them not fulfilling

their obligation to the organization to the organization, the numerous armed conflicts across the length and breadth of the continent is the main problem facing the organization today. The spate of armed forces taking over democratic government has become so annoying that the organization has threatened not to admit and fresh military leader to their meetings. It is even being muted to ignore the non-interference clause, or amend it, so that an African strike force can be established to deal with insurrections in the continent.

Other problems of OAU are similar to those of ECOWAS.

10.4 ORGANIZATION OF PETROLUEM EXPORTING COUNTRIES (OPEC)

10.3.1 Establishment and Membership

The OPEC was established on **14th September, 1960**, in **Baghdad, Iraq**. Kits founding members are **Iran, Iraq, Kuwait, Saudi Arabia** and **Venezuela**. Nigeria joined the organization in **1971**. Of the estimated **60.26 billion barrels** of the oil reserves in **1990**, the **13 OPEC** members accounted for **38.12%** but produced more than **60%** of the crude in the export trade. As at **September 24, 2000 OPEC** produces over **26 million barrels per day**.

10.4.2 Objectives of the OPEC

The initial objectives of the OPEC were as follows:

- i) to co-ordinate and unify petroleum policies of member states in the areas of drilling, exploration, marketing and joint ventures;

- ii)** to establish and sustain world oil price;
- iii)** to promote co-operation between members; and
- iv)** to secure a fair returns on investments to its members.

At the Caracas conference in December 1970, other objectives were incorporated as follows:

- i.** Establishment of 55% as the minimum income tax rate;
- ii.** Elimination existing disparities in posted prices;
- iii.** Maintenance of a uniform increase in posted prices; a
Elimination, completely, of the allowance granted to oil
Companies from January 1971.

10.4.3 The Presence of Nigeria in the OPEC

There have been arguments for and against the Nigerian membership of the OPEC over the years. The silent points for and against are presented below:

(a) Argument for: The argument on the benefits that accrued to Nigeria due to its membership of OPEC. Some of such benefits are:

- i.** Nigeria has been able to assume a significant control over the pricing of its crude oil.
- ii.** Nigeria is now off than before because of OPEC's ability to collectivity negotiate better terms with oil companies.
- iii.** Majority of Nigeria's equity participation in the shares of the oil companies was made possible as a result of the membership of the OPEC membership.
- iv.** Identification with the OPEC has enhanced Nigerian corporate image.

- v. As a donor to the OPEC funds, Nigeria is able to help other developing countries. The country therefore benefits from the joys of giving.
- vi. As a donor to the OPEC funds, Nigeria is also entitled to benefit from the organization's loan scheme.
- vii. The membership also offers some Nigerian's the opportunity to hold key posts in the organization. For example, Nigerians have been the head of finance of the OPEC and also Secretary-General of the organization.

(b) Argument Against: The argument against is anchored the points stated below:

- i. As a member of the OPEC Nigeria has lost the freedom to fix her oil price as well as the production level, due to Quota implication.
- ii. But for the membership, Nigeria would not have been under any obligation to contribution to the OPEC funds. Such contributions could lead to substantial reductions in the domestic savings.
- iii. Also, but for the membership, Nigeria could have been able to produce the quantity that may suit the needs and aspirations of its economic growth.

10.4.4 Problems Facing OPEC

The problems facing the organization today include the following:

- i. There is a problem of disloyalty among member countries especially in the areas of quota ceiling and production trends.

- ii.** The entry of many non-OPEC members into the world oil industry has been weakening the organization's control of the world oil market and pricing.
- iii.** Many of the member countries have been suffering from balance of payment crisis and increasing foreign debt problems hence they tend to ignore OPEC quota, thereby punishing those that stick to the quota.

10.5 THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD) AND THE INTERNATIONAL MONETARY FUND (IMF).

10.5.1 Establishment and Membership

The **International Bank of Reconstruction and Development**, otherwise known as '**the World Bank**', was established in **July 1944** after the **Brettonwood meeting**, following the agreement reached by the representatives of **forty-four countries** at the United Nations in monetary and Financial Conference. It started operations in **June 1946**. The initial purpose of the Bank was to encourage capital investment for the reconstruction and development of its member countries (mainly allied countries devastated by the Second World War) by channeling the necessary private funds to the members, or by making loans available from its own resources. The original purpose has changed very little in substance, even though there is an apparent shift of emphasis to include the other member countries that joined the Bank later, such as Nigeria. Presently its headquarter is Washington D.C.

The World Bank obtains its funds from two major sources:

- a. members' contribution, and
- b. borrowing from the international money market.

10.5.2 Benefits Derived by Nigeria from its Membership

In spite of all the doubts expressed to the contrary, Nigeria derives some benefits from the Bank as a result of its membership. Some of these are pointed out below:

- i. The IBRD has provided long-term loans to the Nigerian Government to finance capital projects in the energy sector, agricultural development, road constructions, etc. For example, the IBRD and its affiliate, the International Development Agency (**IDA**), approved a total of **236 million dollars** in loans and assistance for Nigeria in **1992**. Out of this, **110 million dollars** came from the IBRD and **126 million** dollars from the IDA. Of this amount, **135 million dollars** was for agriculture and rural development while remaining 101 million dollars was for water supply and sewage disposal (Aderinto, et al. 1999).
- ii. Nigeria enjoys the Banks technical and expert advice in the planning as well as execution of its development plans. For example, the Bank gave Nigeria both human and financial assistance in the reconstruction of its economy after the civil war.
- iii. The Bank also provided training as well as skills acquisition facilities to some Nigerians over the years.

10.5.3 The International Monetary Fund (IMF)

The IMF was also set-up by the Brettonwood's agreement of 1944, and came into operation in March 1947. The Fund was established to encourage:

- (i) International cooperation in the monetary field,
- (ii) The removal of foreign exchange restrictions;
- (iii) To stabilize exchange rates;
- (iv) To facilitate multilateral payment system between member countries;
- (v) To provide more means of assisting member countries in the event of temporary balance of payment crisis;
- (vi) To send technical terms to assist members countries in policy formulation especially when structural adjustment is involved.

Under the IMF articles of agreement, members are expected to observe an exchange rate fluctuation, confined to it's per value determined in terms of the U.S. dollar.

10.5.4 IMF AND WORLD CONDITIONALITIES AND THE NIGERIAN ECONOMY

The International Monetary Fund sees some wisdom in making all developing countries subscribe to the idea of structural adjustment to as to correct their various financial imbalances. It is, therefore, a pre-requisite for any country wishing to enjoy its credit facilities and that of the World Bank to comply with the following.

- (i) Devalue its currency to force the local currency to be exchanged at a lower rate visa-vis other major international currencies like the dollar, Japanese Yen, Italian Lira, French Franc, the Netherlands Guilder etc.
- (ii) Liberalize trade to allow for the free repatriation and expatriation of both capital and goods.
- (iii) Remove subsidies, including in critical areas like agriculture, health and education.
- (iv) Deregulate the economy with respect to both interest/exchange rates as well as wages.
- (v) Disinvest Government funds in the economy in order to pave way for privatization and commercialization.
- (vi) Reduce government deficits to the barest minimum.

10.6 THE UNITED NATIONS ORGANIZATION (UNO, UN for short)

10.6.1 Establishment and Membership

The United Nations was the title proposed in the **Dumbarton Oaks Proposals** for a general international organization. This title, suggested by **President Rensevelt** of the United States, was taken from the Declaration of **January 1, 1942**, which formally brought the United Nations into being. By the time the **San Franscisco Conference** opened, *forty-seven nations* had signed this Declaration.

The United Nations, in the Declaration, affirmed that complete victory over the common enemies was essential to the defense of life, liberty, independence, and religious freedom, and the

preservation of human rights and justice. The signatories also subscribed to a common long-term programme of ‘Purpose and Principle’ embodied in Atlantic Charter. The central goal of charter is the establishment of a peace ‘which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want’. Therefore, the name, the United Nations, has been associated, from the beginning with ‘complete victory over the common enemies and the establishment of future peace and security’.

Dumbarton Proposals mentioned that “**Membership of the organization is opened to all peace-loving states**”, but added the further qualification that new members accept the obligations of the Charter and they just, in the judgment of the Organization be General Assembly to admit new members upon the recommendation of the Security Council has remained unchanged.

There is a provision that, if a member, because of exceptional circumstances, feels constrain to withdraw and leave the burden of maintaining international peace with other members, it is not the purpose of the organization to compel that member to continue its cooperation in the organization. It was also clearly mentioned that no member is bound to remain in the organization if its rights and obligations were changed by the amendments to the Charter in which it has not concurred and which it finds itself unable to accept.

10.6.2 Principles of the Organization

Article 1 of the organization's Charter gives its purpose and defined its objectives. The purposes consist of the statement: **"... the aggregation of common ends on which the minds of the delegates meet"**. Other purposes include:

- (i) to maintain international peace and security originally set on October 30th, 1943 in the Moscow Declaration.
- (ii) to take effective collective measures to prevent and to remove threats to the peace. The organization is expected to inform itself of potentially dangerous situations in advance of the actual outbreak of violence and to employ appropriate measures to deal with them.
- (iii) to be centre for harmonizing common purpose and actions of the nations in the attainment of these common ends.
- (iv) it is also one of the principles of the United Nations that all members act in accordance with the stated principles so far may be necessary for the maintained of international peace and security.

10.6.3 Organs of the Association

The formation and organization of the U.N.O. followed the same pattern as in the case of most international organization. Its major organs are:

- a). The General Assembly
- b). The Security Council

a). The General Assembly - in the contemporary world, public opinion playing more important role than ever expected. It

essential therefore that the United Nations which is designed to play an effective part in the world of our time, should relate itself through the appropriate instruments to public opinion. Whatever executive or legal or advisory organs it may possess it must also provide a forum discussion. Problems are resolved in the Charter of the United Nations by creating a General Assembly, having broad powers of discussion.

The function of the General Assembly may broadly be described as being to deliberate, to administer, to elect, to approve budgets and to initiate amendments. The U.N. of course is not a super-state nor is the General Assembly a legislative or law-making body in the real sense of the word. It is, however, a deliberate body, which has the right to consider and discuss any subject within the scope of the Charter or relating to the powers and functions of any organs provided in the Charter. With one exception, it may also recommend to the members of the United Nations or to the Security Council on any such matters. Other functions are set out below:

- (i) **The administrative function** – these include recommendations for the coordination of policies of the various economic and social agencies of the organization.
- (ii) **Electoral Function** - these functions include appointment and election of the elective members of the Security Council and the Secretary General.
- (iii) **Budgetary Function** - this empowers the General Assembly to approve budgets as well as any other financial

or budgetary arrangements with intergovernmental organizations, or agencies, and to apportion overall expenses of the organization among its members.

(b) The Security Council - is that agency of the Organization, which is charged with the sole responsibility of and empowered to take the necessary action for the maintenance of peace and security. The responsibilities of the Council are two-fold; Primarily, it is to induce, by every possible method, peaceful solutions of international disagreements. Secondly, as a last resort, it is to apply force, even to the employment of military measures, in order to maintain peace, or suppress any breach of the peace. Members of the Security Council are of two categories: permanent members and non-permanent members. The permanent members are USA, China, France, Britain and Russia. There are the allied countries that defeated the combined force of Germany and Japan during the Second World War. Each of them has a veto power, which it uses to block and decision it does not support.

The provisions of for permanent membership was approved at San Francisco (Article 23: paragraph 1). Non-permanent members are elected into the council, periodically. It is worth noting that no African country had been elected into Council up to the end of year 2000.

10.7 THE ORGANIZATION OF ISLAMIC CONFERENCE (OIC)

10.7.1 Establishment and Membership

The organization of Islamic Conference (OIC) is a grouping of **46 member-states** spread over **Africa**, the **Middle East** and **Asia**. For a long period of time, some Muslim Leaders had been thinking of setting up a body to crystallize cooperation between Islamic Countries. The establishment of the Organization of Conference was expedited by the action of the **Israel on Al-Aqsa Mosque in Jerusalem in 1969**. Head of States and Government, of Islamic countries gathered in **Rabat, Kingdom of Morocco**, decided on **21st August 1969** to set up the **OIC** with the prime objective to face the crimes perpetrated by the **Zionist** and safeguarding the **Holy places**. Another objective was to support the struggle of Palestine. Critical issues were later involved that covered areas such as *economic, social, cultural and scientific cooperation*.

10.7.2 OIC and Its Major Institution

The organization operated through a number of institution and committees. One of the institutions is the Islamic Solidarity Fund, which aims at promoting Islamic solidarity. The Fund undertakes every action to raise the standard of living of Muslim in all spheres of life. Its focal points are:

- (i)** to encourage scientific and technological research;
- (ii)** to establish and finance Islamic Universities;

- (iii)** to alleviate the effects of catastrophes and materials disasters.
- (iv)** to grant assistance to Muslim Countries, and
- (v)** to contribute to the development of mosques, hospital and schools.

The OIC also helps to set up centres like that for Statistical Research, Technical and Vocational Training for the citizens of the member-states. Others are centers for Trade, Technology and Development and the Foundation for Islamic Science.

Another is the Islamic Summit of Heads of State and Government, initiated in Lahore, Pakistan in 1974. The Summit it was that established the Islamic Solidarity fund. The Islamic Summit is the policy-making organ. It's meeting are rotated among member states. Although the full membership of Nigeria in the OIC is shrouded in among mystery, it is clear that Nigeria is, at least, an affiliation of the organization. High powered Nigerian delegations, but not the Nigerian head of Government, have been attending the meeting of the Summit.

As states earlier, the OIC also worked through some committees. The three major committees of the organization are:

- (i)** Economy and commerce committee;
- (ii)** Information and Culture committee; and
- (iii)** Science and Technology committee.

10.7.3 Achievements

Educationally, some of the achievements of the OIC include, the establishment of Islamic universities in Uganda and the Niger Republic, the American Islamic College in Chigaco and the Islamic Centre in Guinea Bissau.

10.7.4 The Plan of Action

The third summit of the OIC in Makkah approved a plan of action for strengthening economic cooperation among member states. The plan defined priority areas for economic cooperation as food and agriculture, industry, trade, energy, transport and telecommunication.

10.7.5 The OIC and African Economic Recovery Fund

The sixteenth Islamic Foreign Ministers Conference, held in fex, Morrocco in **1986**, decided to involve the OIC more actively in the overall African Economic Recovery Programme, and mandated the Secretary-General of the Organization to personally attend and report to the OIC on the decisions adopted by the UN's Special Session on the Critical Economic Situation in Africa.